



The City of San Diego

MANAGER'S REPORT

DATE ISSUED: March 3, 1997

REPORT NO. 97-40

ATTENTION: Honorable Mayor & City Council
Docket of March 4, 1997

SUBJECT: Stadium

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SUMMARY

Issues:

- 1) Should the City Council authorize the City Manager to enter into an agreement with Qualcomm Incorporated for naming rights?
- 2) Should the City Council authorize the City Manager to enter into the First Supplement to the 1995 Agreement for the Partial Use and Occupancy of the San Diego Jack Murphy Stadium with the Chargers Football Company?
- 3) Should the City Council authorize the City Auditor and Comptroller to transfer \$18 million received from Qualcomm to the Public Facilities Financing Authority?

Manager's Recommendations:

- 1) Authorize the City Manager to enter into an agreement with Qualcomm Incorporated for naming rights.
- 2) Authorize the City Manager to enter into a supplemental to the 1995 Agreement with the Chargers Football Company for use of the Stadium.
- 3) Authorize the City Auditor to transfer the \$18 million received from Qualcomm to the Public Facilities Financing Authority and authorize any interest earned in the stadium project funds to be appropriated for the purpose of the project.

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Other Recommendations - The San Diego County Taxpayers Association has reviewed this proposal and released its report on March 3 endorsing the agreement with Qualcomm.

Fiscal Impact - The agreement with Qualcomm provides \$18 million to complete the improvements at the Stadium. In addition, Qualcomm has agreed to purchase 268 general admission season tickets for a five-year period. The \$18 million contribution from Qualcomm eliminates the need to issue additional debt for the Stadium Improvements and saves the City \$34 million in interest payments.

The agreement with the Chargers provides for the Chargers to pay the City a total of \$3.5 million over the next 10 years. The Chargers also have agreed to waive their rights to the revenue from the naming rights agreement with Qualcomm. This revenue would have been \$19.6 million if the naming rights revenue were paid to the Chargers annually over the next 20 years based upon the current advertising and signage agreements. In addition, the Chargers have agreed to provide a skybox suite to Qualcomm for a 20-year period.

BACKGROUND

On Tuesday, February 25, 1997, the City Council discussed the offer of Qualcomm Incorporated to purchase the naming rights to the Stadium from the City for a period of 20 years. This purchase provides sufficient funds for the City to complete all the contemplated improvements to the Stadium. The City Council adopted a resolution authorizing the City Manager to negotiate the terms and conditions to implement the purchase of the naming rights with both Qualcomm and the Chargers.

DISCUSSION

The terms of the Qualcomm Proposal are:

1. Stadium is renamed to Qualcomm Stadium and the stadium area is called Jack Murphy Field.
2. Qualcomm pays the City \$18 million in cash for the naming rights in May.
3. The term of the agreement is 20 years.
4. Qualcomm pays \$50,000 on a matching basis for a statue of Jack Murphy at the stadium.
5. Qualcomm receives a skybox for the term of the agreement.

6. Qualcomm buys 268 general admission season tickets for five years for all Charger home games.
7. Rename Stadium Way to Qualcomm Way.

The current signage and advertising agreements with the major Stadium tenants (Chargers and Padres) provide for these revenues to go to the teams, with the City receiving a small portion of the revenues. The tenants have agreed to waive their rights under these agreements. In return, the tenants have requested the following:

1. The Padres want exclusive rights to bring a major league soccer franchise to the stadium.
2. The Chargers have agreed to:

A \$78 million project.

Payment of \$.50 per ticket for 10 years (FY1998 - FY 2007) and additional revenue of \$300,000 over next three years.

Exempt the first two preseason games from the ticket guarantee in FY 1998.

Provide Qualcomm with a suite for 20 years.

Retain the formula cap on rent - the NFL compromise.

Control parking rates at the Stadium for Charger events.

Fiscal Impact

1. \$34.1 Million Interest Cost Savings

As a result of the Qualcomm Agreement, the City is able to complete \$78 million of improvements to the Stadium. In addition, the City is able to avoid \$34.1 million in interest payments on the \$18 million bond issuance originally anticipated for Phase II.

2. Additional Income from Chargers

The Chargers have agreed to pay the City an additional \$3.5 million in rent over the next 10 years.

3. Additional Income - Taxpayers Association Assumptions

In reviewing the City's projected revenues, the San Diego County Taxpayers Association suggested that revenues could be increased in the special events area after the end of the Padres current lease term. These total \$8.2 million over 10 years.

The impact of these revenue and expenditure changes can be seen on the attached cash flow chart (Attachment A). There are sufficient funds in over the next 10 years to meet the operating expenses, debt service and potential ticket guarantee requirements.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jack McGrory", with a stylized flourish at the end.

Jack McGrory
City Manager

JM/PTF

Attachment A: Cash Flow Chart - Jack Murphy Stadium Lease Analysis,
Renovated Facility

JACK MURPHY STADIUM LEASE ANALYSIS - RENOVATED FACILITY

ATTACHMENT A

Phase I - \$60 million in bond proceeds
1995 Agreement in Effect, plus \$.50 per ticket for 10 years (FY 1998 - FY 2007)
Plus \$300,000 additional revenue over 3 years

\$ In thousands	1996 SEASON FY 1997	1997 SEASON FY 1998	1998 SEASON FY 1999	1999 SEASON FY 2000	2000 SEASON FY 2001	2001 SEASON FY 2002	2002 SEASON FY 2003	2003 SEASON FY 2004	2004 SEASON FY 2005	2005 SEASON FY 2006	2006 SEASON FY 2007	2007 SEASON FY 2008
STADIUM REVENUE												
Chargers	3,511	5,718	5,709	6,396	6,649	6,799	6,952	7,110	7,274	7,442	7,615	7,471
Padres	2,377	3,057	3,269	1,674	0	0	0	0	0	0	0	0
Aztecs	602	662	682	703	724	745	768	791	814	839	864	890
Special Events / Super Bowl	1,690	4,457	2,607	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800
Expenses Reimb-Bond Proceeds	1,250	0	0	0	0	0	0	0	0	0	0	0
Interest Earnings	1,025	150	150	150	150	150	150	150	150	150	150	150
Midway Sports Arena	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Taxpayer Assoc Assumptions	0	0	0	500	1,000	1,030	1,061	1,093	1,126	1,159	1,194	1,230
Service America Signing Bonus	1,000	0	0	0	0	0	0	0	0	0	0	0
Total Stadium Revenue	13,455	16,044	14,417	14,423	13,613	13,907	14,209	14,521	14,842	15,172	15,513	15,541
STADIUM EXPENSE												
Stadium Expense	9,202	9,224	8,926	9,095	5,599	5,767	5,940	6,227	6,414	6,718	6,917	7,239
Debt Service - Existing Bonds	1,413	0	0	0	0	0	0	0	0	0	0	0
Debt Service-Phase 1 Improvements	0	5,289	5,424	5,425	5,423	5,426	5,424	5,422	5,425	5,425	5,425	5,425
Total Stadium Operating Expenses	10,615	14,513	14,350	14,520	11,022	11,193	11,364	11,649	11,839	12,143	12,342	12,664
Net to City	2,840	1,531	67	(97)	2,591	2,714	2,845	2,872	3,002	3,029	3,171	2,876
Stadium Fund Balance	1,614	4,454	5,985	6,052	5,955	8,546	11,260	14,105	16,977	19,979	23,008	29,055